



THOMAS L. GARTHWAITE, M.D.
Director and Chief Medical Officer

FRED LEAF
Chief Operating Officer

COUNTY OF LOS ANGELES
DEPARTMENT OF HEALTH SERVICES
313 N. Figueroa, Los Angeles, CA 90012
(213) 240-8101

BOARD OF SUPERVISORS

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September 29, 2005

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL OF AMENDMENT NO. 1 TO
FOUR MEDICAL LABORATORY SERVICES AGREEMENTS**
(All Districts) (3 Votes)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Director of Health Services, or his designee, to sign Amendment No. 1, substantially similar to Exhibit I, to the medical laboratory services agreements with Focus Diagnostics (Focus), Agreement No. H212917, PathNet Esoteric Laboratory Institute (PathNet), Agreement No. H212918, Quest Diagnostics, Inc. (Quest), Agreement No. H212919, and USC Clinical Laboratories (USC), Agreement No. H212921, to extend the term two years and add new Board-mandated provisions, effective upon Board approval through June 30, 2008, at an estimated net County cost of approximately \$4,600,000 per Fiscal Year.
2. Delegate authority to the Director of Health Services, or his designee, to enter into subsequent medical laboratory services amendments to add medical laboratory tests, as may be required by the Department of Health Services, upon review and approval by County Counsel.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS:

The purpose of the recommended actions is to enable the Department of Health Services (DHS or Department) to extend the term two years, add the most recent Board mandated provisions, and delegate authority to the Director, or his designee, to add medical laboratory tests, based on the needs of the Department, at prices negotiated below the contractors' published commercial fee schedule which will provide a cost savings to the Department.

Currently, new technology tests or medical laboratory services tests not listed in the existing medical laboratory services agreement must be ordered through contractors' published commercial fee schedules. At any time during the term of the agreement, the contractors can increase their rates by revising their published commercial fee schedules. The recommended action will allow the Director of Health Services, or his designee, to add laboratory tests and negotiate set prices lower than the contractors' published commercial fee schedules for the duration of the agreement.

County hospitals and health centers have neither the staff nor the equipment to provide all required medical laboratory services to their patients. The medical laboratory services program provides laboratory testing as needed for the early detection of disease and treatment of patients receiving services at County medical facilities.

FISCAL IMPACT/FINANCING:

The total cost per Fiscal Year (FY) is approximately \$4.6 million, net County cost. Funding is included in the FY 2005-06 Final Budget and will be included in future fiscal years.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

On October 18, 2000, DHS released a Request for Proposals (RFP) seeking proposals from qualified medical laboratory service providers to provide laboratory testing. The laboratory tests listed in the RFP represented tests which the DHS facilities ordered in the greatest quantity and for which set prices were sought for inclusion in the contract.

On June 19, 2001, the Board approved five medical laboratory services agreements with Focus, PathNet, Quest, USC, and Specialty Laboratories to perform laboratory services listed on each respective contractor's "test list", at set prices, for the period of July 1, 2001 through June 30, 2006, in the amount of \$3.2 million per FY. Medical laboratory tests not specified on a contractor's "test list" were to be ordered from the contractor's published commercial fee schedule.

On May 28, 2002, the Board approved termination of the medical laboratory services agreement with Specialty Laboratories.

Due to changes in technology and State and Federal standards/requirements, the volume of some laboratory tests (e.g., liquid-base ThinPrep Pap smears and High Risk HPV) has increased since the execution of the medical laboratory services agreements. Approval of the Director's authority to add medical laboratory tests to the contractor's "test list" will allow the Department to negotiate rates at a greater discount than the contractor's published commercial fee schedule.

Amendment No. 1 will extend the term and add the most recent Board-mandated provisions (e.g., Compliance with Health Insurance Portability and Accountability Act, Compliance with Jury Service Program, County's Child Support Program, Safely Surrendered Baby Law).

County Counsel has approved the amendment (Exhibit I) as to form.

Attachment A provides additional information.

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CONTRACTING PROCESS:

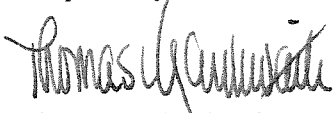
Not applicable. Amendments are not advertised on the L.A. County Online Countywide Web Site as a business opportunity.

IMPACT ON CURRENT SERVICES (OR PROJECTS):

County hospitals and health centers will be able to continue to obtain medical laboratory services as needed and the Department will have authority to negotiate lower rates for tests currently ordered from the contractor's published commercial fee schedule.

When approved, this Department requires three signed copies of the Board's action.

Respectfully submitted,



Thomas L. Garthwaite, M.D.
Director and Chief Medical Officer

TLG:kg

Attachments (2)

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors

kg:08/23/05

SUMMARY OF AMENDMENTS1. TYPE OF SERVICE:

Medical laboratory services for Department of Health Services (DHS) facilities.

2. CONTRACTOR ADDRESS AND CONTACT PERSON:

A. Focus Diagnostics, Inc.
10703 Progress Way
Cypress, CA 90630
Attention: Christopher Contonis
Account Manager
Telephone: (800) 445-0185
Facsimile: (714) 220-1683
ccontonis@focusdx.com

B. PathNet Esoteric Laboratory Institute
7247 Hayvenhurst Avenue, Suite A3
Van Nuys, CA 91406
Attention: Alan M. Kaye
President and Chief Executive Officer
Telephone: (800) 516-8000
Facsimile: (818) 780-8199
nccc-online@att.net

C. Quest Diagnostics Incorporated
7600 Tyronne Avenue
Van Nuys, CA 91405
Attention: Sandy Petering
Key Account Executive
Hospital Sales
Telephone: (800) 642-4657 x4242
Facsimile: (949) 713-9492
peterings@questdiagnostics.com

D. University of Southern California (USC)
Clinical Laboratories
Keck School of Medicine of USC
2250 Alcazar Street, CSC 219
Los Angeles, California 90089-9074
Attention: Nolan Gomm, Deputy Director,
Office of Contracts and Grants
Telephone: (323) 442-2396
Facsimile: (323) 442-2835
tedlock@pathfinder.usc.edu

3. TERM:

Extends the agreements for two years, effective July 1, 2006 through June 30, 2008.

4. FINANCIAL INFORMATION:

The total cost per Fiscal Year (FY) is approximately \$4.6 million, net County cost. Funding is included in the FY 2005-06 Final Budget and will be included in future fiscal years.

5. GEOGRAPHIC AREA:

Countywide.

6. MONITORING:

DHS Hospital Facility Administration, Director DHS Laboratories, and DHS Laboratory Managers.

7. Approvals:

DHS Laboratories: Phyllis Thornton, M.D., Director

Contracts and Grants Division: Cara O'Neill, Chief

County Counsel (approval as to form): Sharon Reichman, Principal Deputy County Counsel

EXHIBIT I

Contract No. _____

MEDICAL LABORATORY SERVICES AGREEMENT

AMENDMENT NO. 1

THIS AMENDMENT is made and entered into this _____ day
of _____, 2005,

by and between COUNTY OF LOS ANGELES (hereafter
"County"),

and _____ (hereafter
"Contractor").

WHEREAS, reference is made to that certain document entitled
"MEDICAL LABORATORY SERVICES AGREEMENT", dated June 19, 2001, and
any Amendments thereto, all further identified as Agreement No.
H-_____, (all hereafter "Agreement"); and

WHEREAS, it is the intent of the parties hereto to amend
Agreement to extend its term and to provide for the changes set
forth herein; and

WHEREAS, Agreement provides that further changes to its
terms may be made in the form of a written Amendment which is
formally approved and executed by the parties.

NOW, THEREFORE, the parties hereby agree as follows:

1. This Amendment shall be effective upon Board approval.

2. Agreement Paragraph 1, TERM, first paragraph, is revised to read as follows:

"1. TERM: The term of this Agreement shall commence on July 1, 2001, and shall continue in full force and effect, to and including June 30, 2002. Said Agreement shall thereafter be automatically renewed for one (1) year terms, without further action by the parties hereto, to and including June 30, 2008, unless sooner terminated or canceled under the conditions of this Agreement."

3. Agreement Exhibit "A", DESCRIPTION OF SERVICES, Paragraph I, County Inspection, shall be replaced in its entirety as follows:

"I. County Inspection: Contractor shall be prepared to make its facilities, personnel, and techniques available for inspection at reasonable times without prior notice by authorized representatives of Director, County's Auditor-Controller, the JCAHO, and/or the State Department of Health Services, if applicable, to review the medical laboratory services provided herein. If Contractor's facility(ies) is/are located outside Los Angeles County, then Contractor shall pay County for travel, per diem, and other costs related to such inspection.

Initial Facility Site Review - Contractor shall allow

Director's designated staff to perform a facility site review prior to commencing services under this Agreement. Contractor shall take corrective action on any deficiencies identified through any such site review performed either by Director's staff or by a qualified review agency. Such corrective action shall be completed prior to commencing services at that site.

Subsequent Facility Site Review(s) - County or its agent will perform a facility site review on not less than an annual basis. Contractor shall allow Director's designated staff to perform such facility site review of Contractor's operation under this Agreement. Contractor shall take corrective action on any deficiencies identified through any such site review performed either by Director's staff or by a qualified review agency. Such corrective action shall be completed within sixty (60) calendar days of Contractor's receipt of a site deficiencies notice, except that if the deficiencies compromise the quality of service delivered under this Agreement, Director may immediately suspend or recommend termination of this Agreement pursuant to the TERM Paragraph in the body of the Agreement."

4. Agreement Exhibit "A", DESCRIPTION OF SERVICES, Paragraph N, Adjustments to Laboratory Test List, shall be added to the Agreement as follows:

"N. Adjustments to Laboratory Test List: Based on the needs of the Department, Director may, at his/her sole discretion, administratively add medical laboratory tests to the Laboratory Test List covered under this agreement, when Contractor pricing is offered at a rate that is equal to or greater than the Contractor's maximum trade discount from Contractor's current published commercial fee schedule."

5. Additional Provisions, Paragraph 28, CONTRACTOR'S OBLIGATIONS AS A COVERED ENTITY UNDER THE HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT OF 1996 ("HIPAA"), shall be added to Agreement as follows:

"28. CONTRACTOR'S OBLIGATIONS AS A COVERED ENTITY UNDER THE HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT OF 1996 ("HIPAA"): The parties acknowledge the existence of the Health Insurance Portability and Accountability Act of 1996 and its implementing regulations ("HIPAA"). Contractor understands and agrees that, as a provider of medical treatment services, it is a "covered entity" under HIPAA and, as such, has obligations with respect to the confidentiality, privacy, and security, of patients' medical

information, and must take certain steps to preserve the confidentiality of this information, both internally and externally, including the training of its staff and the establishment of proper procedures for the release of such information, and the use of appropriate consents and authorizations specified under HIPAA.

The parties acknowledge their separate and independent obligations with respect to HIPAA, and that such obligations relate to transactions and code sets, privacy, and security. Contractor understands and agrees that it is separately and independently responsible for compliance with HIPAA in all these areas and that County has not undertaken any responsibility for compliance on Contractor's behalf. Contractor has not relied, and will not in any way rely, on County for legal advice or other representations with respect to contractor's obligations under HIPAA, but will independently seek its own counsel and take the necessary measures to comply with the law and its implementing regulations.

Contractor and County understand and agree that each is independently responsible for HIPAA compliance and agrees to take all necessary and reasonable actions to comply with the requirements of the HIPAA law and implementing regulations

related to transactions and code sets, privacy, and security. Each party further agrees that, should it fail to comply with its obligations under HIPAA, it shall indemnify and hold harmless the other party (including the other party's officers, employees, and agents), for damages to the other party that are attributed to such failure."

6. Additional Provisions, Paragraph 29, COMPLIANCE WITH JURY SERVICE PROGRAM, shall be added to Agreement as follows:

"29. COMPLIANCE WITH JURY SERVICE PROGRAM:

A. Jury Services Program: This Agreement is subject to the provisions of the County's ordinance entitled Contractor Employee Jury Service ("Jury Service Program") as codified in Sections 2.203.010 through 2.203.090 of the Los Angeles County Code.

B. Written Employee Jury Service Policy:

(1) Unless Contractor has demonstrated to County's satisfaction either that Contractor is not a "contractor" as defined under the Jury Services Program (Section 2.203.020 of the County Code) or that Contractor qualifies for an exception to the Jury Services Program (Section 2.203.070 of the County Code), Contractor shall have and adhere to a written policy that provides that its employees

shall receive from Contractor, on an annual basis, no less than five (5) day of regular pay for actual jury service served. Contractor's policy may further provide that employees deposit any fees received for such jury service with Contractor or that Contractor deduct from the employee's regular pay the fees received for jury service.

(2) For purpose of this Paragraph, and as set forth in the Jury Service Program provision of the County Code as described hereinabove: "Contractor" shall mean a person, partnership, corporation, or other entity, that has a contract with County, or a subcontract with a County contractor, and has received, or will receive, and aggregate sum of Fifty Thousand Dollars (\$50,000) or more in any twelve (12) month period under one (1) or more County contracts or subcontracts; "employee" shall mean any California resident who is a full-time employee of Contractor; and "full-time" shall mean forty (40) hours or more worked per week, or a lesser number of hours, if: 1) the lesser number is a recognized industry standard as determined by County, or 2) Contractor has a long-standing

practice that defines the lesser number of hours as full-time.

Full-time employees providing short-term temporary services of ninety (90) days or less within a twelve (12) month period are not considered full-time for purposes of the Jury Service Program. If Contractor uses any subcontractor to perform services for County under this Agreement, the subcontractor shall also be subject to the provisions of this Paragraph. The provisions of this Paragraph shall be inserted into any such subcontract agreement and a copy of the Jury Service Program shall be attached to the agreement.

(3) If Contractor is not required to comply with the Jury Service Program on the effective date of this Agreement, Contractor shall have a continuing obligation to review the applicability of its "exception status" from the Jury Services Program, and Contractor shall immediately notify County if Contractor at any time either comes within the Jury Service Program's definition of "contractor", or if Contractor no longer qualifies

for an exception to the Jury Service Program. In either event, Contractor shall immediately implement a written policy consistent with the Jury Service Program. County may also require, at any time during the Agreement term, and at its sole discretion, that Contractor demonstrate to County's satisfaction that Contractor either continues to remain outside of the Jury Service Program's definition of "contractor" and/or that Contractor continues to qualify for an exception to the Jury Service Program. Contractor and its subcontractors, if applicable, may demonstrate their exemption, or compliance, with the above subject Jury Service Program by completing a "County of Los Angeles Contractor Employee Jury Service Program Application for Exemption and Certification Form" which should be obtained from, and returned to, Director within ten (10) calendar days before the effective date of this Agreement.

(4) Contractor's violation of this Paragraph of the Agreement may constitute a material breach of this Agreement. In the event of such breach, County may, in its sole discretion, terminate this

Agreement and/or bar Contractor from the award of future County Contracts for a period of time consistent with seriousness of the breach."

7. Additional Provisions, Paragraph 30, CONTRACTOR'S WARRANTY OF ADHERENCE TO COUNTY'S CHILD SUPPORT COMPLIANCE PROGRAM, shall be added to Agreement as follows:

"30. CONTRACTOR'S WARRANTY OF ADHERENCE TO COUNTY'S CHILD SUPPORT COMPLIANCE PROGRAM:

A. Contractor acknowledges that County has established a goal of ensuring that all individuals who benefit financially from County through County purchase orders and/or contracts are in compliance with their court ordered child, family, and spousal support obligations in order to mitigate the economic burden otherwise imposed upon County and its taxpayers.

As required by County's Child Support Compliance Program (County Code Chapter 2.200) and without limiting Contractor's duty under this Agreement to comply with all applicable provisions of law, Contractor warrants that it is now in compliance and shall during the term of this Agreement maintain compliance with employment and wage reporting requirements as required by the federal Social Security

Act (42 U.S.C. section 653a) and California Unemployment Insurance Code section 1088.55, and shall implement all lawfully served Wage and Earnings Withholding Orders or Child Support Services Department Notices of Wage and Earnings Assignment for Child or Spousal Support, pursuant to Code of Civil Procedure section 706.031 and Family Code section 5246(b).

B. TERMINATION FOR BREACH OF WARRANTY TO MAINTAIN COMPLIANCE WITH COUNTY'S CHILD SUPPORT COMPLIANCE PROGRAM: Failure of Contractor to maintain compliance with the requirements set forth in the Contractor's Warranty of Adherence to County's Child Support Compliance Program Paragraph immediately above, shall constitute a default by Contractor under this Agreement. Without limiting the rights and remedies available to County under any other provision of this Agreement, failure of Contractor to cure such default within ninety (90) calendar days of written notice by County shall be grounds upon which County may terminate this Agreement pursuant to the Termination for Default Paragraph of this Additional Provisions attachment to the Agreement and pursue debarment of Contractor pursuant to County Code Chapter 2.202."

8. Additional Provisions, Paragraph 31, SAFELY SURRENDERED BABY LAW, shall be added to Agreement as follows:

"31. SAFELY SURRENDERED BABY LAW: Contractor shall notify and provide to its employees, and shall require each subcontractor to notify and provide to its employees, a fact sheet regarding the Safely Surrendered Baby Law, its implementation in Los Angeles County, and where and how to safely surrender a baby. The fact sheet is set forth in this contract and is also available on the Internet at www.babysafela.org for printing purposes. Further, Contractor understands that it is the County's policy to encourage Contractor and all of its subcontractors, providing services under this Agreement, if any, to voluntarily post the County's "Safely Surrendered Baby Law" poster in a prominent position at their place of business. County's Department of Children and Family Services will supply Contractor with the poster to be used."

9. Additional Provisions, Paragraph 32, NO PAYMENT FOR SERVICES PROVIDED FOLLOWING EXPIRATION/TERMINATION OF AGREEMENT, shall be added to Agreement as follows:

"32. NO PAYMENT FOR SERVICES PROVIDED FOLLOWING EXPIRATION/TERMINATION OF AGREEMENT: Contractor shall have no claim against County for payment of any monies or

reimbursements, of any kind whatsoever, for any service provided by Contractor after the expiration or (other) termination of this Agreement, even if Contractor's provision of such services were requested by County directly. Should Contractor receive any such payment, it shall immediately notify County and shall immediately repay or return all such funds or reimbursements to County within a reasonable amount of time. Payment by County for services rendered after expiration/termination of this Agreement shall not constitute a waiver of County's right to recover such payment from Contractor. This provision shall survive the expiration or other termination of this Agreement."

10. Except for the changes set forth hereinabove, Agreement shall not be changed in any respect by this Amendment.

IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be subscribed by its

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Director of Health Services, and Contractor has caused this Amendment to be subscribed in its behalf by its duly authorized officer, the day, month, and year first above written.

COUNTY OF LOS ANGELES

By _____
Thomas L. Garthwaite, M.D.
Director and Chief Medical
Officer

Contractor

By _____
Signature

Print Name

Title _____
(AFFIX CORPORATE SEAL HERE)

APPROVED AS TO FORM
BY THE OFFICE OF THE COUNTY COUNSEL
RAYMOND G. FORTNER
County Counsel

APPROVED AS TO CONTRACT
ADMINISTRATION:

Department of Health Services

By _____
Cara O'Neill, Chief
Contracts and Grants

kg:08/15/05
AMDLABSERVICES